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Citrus

Semi-Annual

2004

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Report Highlights:
The forecast for total citrus production in MY 2003/04 is estimated at 492-497 tmt, the same as in MY 2002/03. Citrus exports are expected to increase by 12-17 percent compared to the previous year. Delivery to processing plants is expected to decrease by 8-12 percent. Increasing demand for citrus in Europe, along with high profitability, has stimulated new demand for citrus seedlings for the preparation of new summer plants.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Semi-Annual Report
Tel Aviv [IS1]
[IS]

Executive Summary

The forecast for total production of citrus in MY 2003/04 is estimated at 492-497 tmt, the same as in MY 2002/03. Out of the total production, approximately 140 tmt will be exported (15.7 percent higher than in the previous year), 220 tmt will be processed (down 10.6 percent), and 135 tmt will be consumed fresh (4.7 percent increase compared to the previous year). Growers' revenue in MY 2003/04 has improved due to the improved quality of Israeli citrus, the lack of citrus in Europe, and favorable exchange rates for the Euro against the Israeli Shekel. All of these reasons have resulted in a very good export season. Increasing demand for citrus in Europe (Western & Eastern), and high profitability have stimulated new demand for citrus seedlings for the preparation of new summer plants. The main varieties are Or, Ora, Mor, Merav (easy peelers), Shamuti and Newhole (oranges).

Israel Fresh Oranges							
		2001		2002		2003	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		10-2001		10-2002		10-2003	(MM/YYYY)
Area Planted	5700	5700	5500	5500	5115	5115	HECTARES
Area Harvested	5650	5650	5400	5400	4980	4980	HECTARES
Bearing Trees	0	0	0	0	0	0	(1000 TREES)
Non-Bearing Trees	0	0	0	0	0	0	(1000 TREES)
TOTAL No. Of Trees	0	0	0	0	0	0	(1000 TREES)
Production	160	160	143	143	133	141	(1000 MT)
Imports	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	160	160	143	143	133	141	(1000 MT)
Exports	34	34	28	28	25	30	(1000 MT)
Fresh Dom. Consumption	62	62	61	61	61	63	(1000 MT)
Processing	64	64	54	54	47	48	(1000 MT)
TOTAL DISTRIBUTION	160	160	143	143	133	141	(1000 MT)

Israel Fresh Grapefruit							
		2001		2002		2003	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		10-2001		10-2002		10-2003	(MM/YYYY)
Area Planted	5600	5600	5250	5300	5250	5250	HECTARES
Area Harvested	5400	5400	2520	5250	5190	5190	HECTARES
Bearing Trees	0	0	0	0	0	0	(1000 TREES)
Non-Bearing Trees	0	0	0	0	0	0	(1000 TREES)
TOTAL No. Of Trees	0	0	0	0	0	0	(1000 TREES)
Production	251	251	255	255	245	248	(1000 MT)
Imports	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	251	251	255	255	245	248	(1000 MT)
Exports	68	68	91	64	63	69	(1000 MT)
Fresh Dom. Consumption	20	20	27	20	20	22	(1000 MT)
Processing	163	163	137	171	162	157	(1000 MT)
TOTAL DISTRIBUTION	251	251	255	255	245	248	(1000 MT)

Israel Fresh Tangerines							
		2001		2002		2003	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		10-2001		10-2002		10-2003	(MM/YYYY)
Area Planted	4900	4900	4900	4900	4750	4750	HECTARES
Area Harvested	4750	4750	4800	4800	4465	4465	HECTARES
Bearing Trees	0	0	0	0	0	0	(1000 TREES)
Non-Bearing Trees	0	0	0	0	0	0	(1000 TREES)
TOTAL No. Of Trees	0	0	0	0	0	0	(1000 TREES)
Production	83	83	71	71	78	78	(1000 MT)
Imports	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	83	83	71	71	78	78	(1000 MT)
Exports	25	25	23	23	24	34	(1000 MT)
Fresh Dom. Consumption	30	30	30	30	31	32	(1000 MT)
Processing	28	28	18	18	23	12	(1000 MT)
TOTAL DISTRIBUTION	83	83	71	71	78	78	(1000 MT)

Israel Fresh Lemons							
		2001		2002		2003	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		10-2001		10-2002		10-2003	(MM/YYYY)
Area Planted	1700	1700	1700	1700	1690	1690	HECTARES
Area Harvested	1250	1250	1650	1650	1400	1400	HECTARES
Bearing Trees	0	0	0	0	0	0	(1000 TREES)
Non-Bearing Trees	0	0	0	0	0	0	(1000 TREES)
TOTAL No. Of Trees	0	0	0	0	0	0	(1000 TREES)
Production	19	19	20	20	20	20	(1000 MT)
Imports	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	19	19	20	20	20	20	(1000 MT)
Exports	0	0	3	2	2	2	(1000 MT)
Fresh Dom. Consumption	15	15	15	15	15	15	(1000 MT)
Processing	4	4	2	3	3	3	(1000 MT)
TOTAL DISTRIBUTION	19	19	20	20	20	20	(1000 MT)

Israel Fresh Citrus, Other							
		2001		2002		2003	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		10-2001		10-2002		10-2003	(MM/YYYY)
Area Planted	830	830	600	600	555	555	HECTARES
Area Harvested	700	700	550	550	420	420	HECTARES
Bearing Trees	0	0	0	0	0	0	(1000 TREES)
Non-Bearing Trees	0	0	0	0	0	0	(1000 TREES)
TOTAL No. Of Trees	0	0	0	0	0	0	(1000 TREES)
Production	11	8	8	8	8	8	(1000 MT)
Imports	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	11	8	8	8	8	8	(1000 MT)
Exports	2	5	5	5	5	5	(1000 MT)
Fresh Dom. Consumption	2	3	3	3	3	3	(1000 MT)
Processing	7	0	0	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	11	8	8	8	8	8	(1000 MT)

Israel Degrees Brix Orange Juice							
		2001		2002		2003	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		10-2001		10-2002		10-2003	(MM/YYYY)
Deliv. To Processors	64000	64000	54000	54000	47000	48000	(MT)
Beginning Stocks	15000	15000	15000	15000	9000	9000	(MT)
Production	40000	40000	44000	44000	35000	35400	(MT)
Imports	45000	45000	35000	35000	30000	30000	(MT)
TOTAL SUPPLY	100000	100000	94000	94000	74000	74400	(MT)
Exports	37000	37000	40000	40000	30000	30000	(MT)
Domestic Consumption	48000	48000	45000	45000	35000	35400	(MT)
Ending Stocks	15000	15000	9000	9000	9000	9000	(MT)
TOTAL DISTRIBUTION	100000	100000	94000	94000	74000	74400	(MT)

Israel Degrees Brix - Single Strength Grapefruit Juice							
		2001		2002		2003	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		10-2001		10-2002		10-2003	(MM/YYYY)
Deliv. To Processors	163000	163000	171000	171000	162000	157000	(MT)
Beginning Stocks	22000	22000	16000	16000	7000	7000	(MT)
Production	81000	81000	71000	71000	90000	85000	(MT)
Imports	12000	12000	15000	15000	19000	19000	(MT)
TOTAL SUPPLY	115000	115000	102000	102000	116000	111000	(MT)
Exports	78000	78000	70000	70000	71000	71000	(MT)
Domestic Consumption	21000	21000	25000	25000	29000	29000	(MT)
Ending Stocks	16000	16000	7000	7000	16000	11000	(MT)
TOTAL DISTRIBUTION	115000	115000	102000	102000	116000	111000	(MT)

Israel Degrees Brix - Single Strength Tangerine Juice							
		2001		2002		2003	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		10-2001		10-2002		10-2003	(MM/YYYY)
Deliv. To Processors	28000	28000	18000	18000	23000	12000	(MT)
Beginning Stocks	2000	2000	2000	2000	4000	4000	(MT)
Production	15000	15000	15000	12500	10000	6000	(MT)
Imports	20000	20000	25000	25000	20000	20000	(MT)
TOTAL SUPPLY	37000	37000	42000	39500	34000	30000	(MT)
Exports	20000	20000	25000	22500	18000	18000	(MT)
Domestic Consumption	15000	15000	13000	13000	15000	11500	(MT)
Ending Stocks	2000	2000	4000	4000	1000	500	(MT)
TOTAL DISTRIBUTION	37000	37000	42000	39500	34000	30000	(MT)

Production

Total Production

The forecast for production in MY 2003/04 is 492-497 tmt, the same as in MY 2002/03. Easy Peelers production is expected to expand by 6-8 tmt (8-10 percent) compared to the previous year. The increased production of Easy Peelers is mainly the result of increased fruit bearing with the "Or", "Ora" and "Mor" varieties.

Table 1: Citrus Production by Species, Thousand of Tons

MY	Total Production	Oranges	Grapefruit	Easy Peelers	Lemons	Other Citrus[1]
2001/02	521.0	160.0	251.0	83.0	19.0	8.0
2002/03	496.0	143.0	254.0	71.0	20.0	8.0
2003/04*	495.0	141.0	248.0	78.0	20.0	8.0

Source: The Plants production and Marketing Board, Citrus division, Israel
*Forecast: Based on information collected

Table 2: Citrus Production by Species, Percent

MY	Total Production	Oranges	Grapefruit	Easy Peelers	Lemons	Other Citrus
2001/02	100.00	30.71	48.18	15.93	3.65	1.54
2002/03	100.00	28.83	51.21	14.31	4.03	1.61
2003/04	100.00	28.48	50.10	15.76	4.04	1.62

Source: The Plants production and Marketing Board, Citrus division, Israel

Table 3: Citrus Disposition, by Destination, Thousand Tons, and Percent

Period	Total Exports		Delivery to Processors		Local Fresh Consumption		
MY	Quantity	%	Quantity	%	Quantity	%	Total Percent
2001/02	133.0	25.5	258.0	49.5	130.0	25.0	100.0
2002/03	121.0	24.4	246.0	49.6	129.0	26.0	100.0
2003/04*	140.0	28.3	220.0	44.4	135.0	27.3	100.0

Source: The Plants Production and Marketing Board, Citrus division, Israel
*Forecast: Based on information collected

Planted Area

The planted area at the beginning of summer 2003 totaled 17,800 ha of which 16,376 (92%) were fruit bearing. Increasing demand for citrus in Europe, and high profitability, have stimulated new demand for citrus seedlings in preparation for new summer plants. There is an increased demand mainly for the following varieties: Or, Ora, Mor, Merav (easy peelers), Shamuti and Newhole (oranges). The price for seedlings is between $4.44-$5.55 per seedling. The total planted area is expected to expand by 200-300 hectares in crop year 2004/05. Most of the new orchards will be planted in the central parts of the country (between Hadera and Ashkelon). Traditionally, those are the main growing areas for citrus.

[1] Other Citrus- Kumquat, Limquat, Pomelo, Lime, Ethrog (Citron)

Table 4: Planted Area by Variety, Ha, Percent, June 2003

Variety	Ha	% of Total Planted Area
Shamouti	3,100	17.42
Valencia	1,400	7.87
Navels	800	4.49
Total Oranges	**5,300**	**29.78**
White Grapefruit	1,650	9.27
Red Blush	100	0.56
Sunrise	1,950	10.96
Sweetie	1,500	8.43
Total Grapefruit	**5,200**	**29.21**
Minneola	600	3.37
Suntina	1,200	6.74
Topaz	200	1.12
Murcott (Honey Tangerine)	300	1.69
Mor	230	1.29
Or	670	3.76
Other Easy Peelers	1,600	8.99
Total Easy Peelers	**4,800**	**26.97**
Lemon	1,700	9.55
White Pomelo	300	1.69
Red Pomelo	200	1.12
Other Citrus	300	1.69
Total	**17,800**	**100.00%**

Source: Israeli Citrus Journal, October 2003.

R&D

The Israeli citrus breeding program objectives are to: create new citrus varieties for fresh consumption and for processing; expand the harvest season by supplying early or late varieties, and improve fruit quality (see table 5). Main R&D efforts in the northern parts of Israel are focused on increasing the yield of grapefruits from 60-70 tons to 80 tons per hectare and to increase the "Or" and "Mor" yield from 5-20 tons to 40-50 tons per hectare. In addition, efforts are made to increase the "Sunrise" yield from 70-80 tons to 90-100 tons per hectare in the southern parts of the country.

Table 5: Israeli Citrus Breeding Program

Species	Varieties	Sugar Percent	Acid Contents Percent	Seeds	Marketing Period	Remarks
Lemon	Limor	N/A	N/A	Seedless	N/A	N/A
Lemon	Galya	N/A	N/A	Seedless	N/A	N/A
Easy Peeler	Moria	15%	1.3%	Seedless	January-March	N/A
Easy Peeler	Dity	13%	1.6%	Seedless	November-December	N/A
Easy Peeler	Merav	17.5%	1.3%	Seedless	December-January	N/A
Red Pomelo	Red Pomelo	13%	N/A	Seedless	October-February	High lycopene
Sweet Grapefruit	Sweet Grapefruit	16%	N/A	Seedless	November-February	N/A

Source: Agricultural Research Organization, the Volcani Center, Instiute of Horticulture, Israel

Marketing, Local Fresh Market

Local consumption of fresh citrus in MY 2003/04 will total 135 tmt, 4.7 percent higher than in the previous year. The increase is a result of the growing purchase of citrus by the Palestinian Authority (PA). Retail prices for fresh citrus in local markets (excluding lemons) during January and February 2004 were unchanged from the same period in the previous year. (see table 6)

Table 6: Monthly Retailer Prices in Local Stores, $[2], Fresh Citrus

Months/Variety	Shamouti	Valencia	Easy Peelers	Grapefruits	Lemons
1/2003	0.793	N/A	0.924	0.820	0.868
2/2003	0.751	N/A	0.977	0.764	0.824
3/2003	0.760	N/A	1.090	0.784	0.811
4/2003	0.877	0.824	N/A	0.837	0.842
5/2003	[3]N/A	0.951	N/A	0.891	0.968
6/2003	N/A	1.026	N/A	1.055	1.202
7/2003	N/A	1.002	N/A	N/A	1.417
8/2003	N/A	N/A	N/A	N/A	1.355
9/2003	N/A	N/A	N/A	N/A	1.462
10/2003	N/A	N/A	1.231	1.155	1.488
11/2003	N/A	N/A	0.975	0.944	1.368
12/2003	N/A	N/A	0.904	0.848	1.166
1/2004	0.795	N/A	0.924	0.791	1.026
2/2004	0.751	N/A	0.957	0.766	0.973
1/2004 Percent Change Compared to 1/2003	**0.25%**	**N/A**	**0.00%**	**-3.53%**	**18.20%**
2/2004 Percent Change Compared to 2/2003	**0.00%**	**N/A**	**-2.04%**	**0.26%**	**18.08%**

Source: Price Statistic Monthly, Central Bureau of Statistics, Israel

[2] Exchange Rate, 1 USA Dollar=4.50 New Israeli Shekel.
[3] N/A, in that time period those varieties are not available in the local fresh market.

The Processing Industry

Three citrus processing plants are active, down from four two years ago. Their full capacity stands at 400-500 tmt. In recent years they have been operating at 50-60 percent capacity only. The delivery to the processing plants in MY 2003/04 is expected to reach 215-225 tmt, 8-12 percent lower than the previous year. The prices offered to the growers were 5-10 percent higher than the previous year. Plant operators are willing to pay higher prices as a result of shortage in fresh citrus deliveries to the processing industry. Due to favorable currency exchange rates in export markets and better prices in the local fresh market, growers are able to reduce quantities delivered to the processing industry. The processing plants' survival depends on their ability to produce high value added products that will allow higher payments to the growers. The annual local consumption of juices and nectars per capita stands at 3-4 liters and is increasing in recent years as a result of a decrease in consumption of carbonated soft drinks.

Table 7: Annual Average Local Consumption of Soft Drinks Per Capita, Liter, Israel

Type	Liters	Percent
Carbonated	113	42
Mineral Water	111	41
Non-Carbonated	45	17
Total	**269**	**100**

Source: Gat Foods, (Processing Plant), Israel

Citrus Production Value Compared to Other Agriculture Sectors

In CY 2003, citrus production value increased 8.99 percent over the previous year. The citrus share of total production value of the agricultural sector also increased significantly during CY 2003.

Table 8: Agriculture Production Value, $ million, Nominal Terms, CY

Agricultural Value	2001		2002		2003	
	Value	Percent	Value	Percent	Value	Percent
Grand Total	3,259.33	100.00%	3,474.24	100.00%	3,564.77	100.00%
Of which: Citrus	154.26	4.73%	138.62	3.99%	151.09	4.24%

Source: Central Bureau of Statistics- Israel

Trade

Citrus exports in MY 2003/04 will reach 135-141 tmt, 12-17 percent higher than in the previous year. Data Up to April 24, 2004 show citrus exports have increased by 13.8 percent compared to the same period in previous year (table 9). Growers' revenue from exports in MY 2003/04 is increasing due to the improved quality of Israeli citrus products, shortage in citrus products from Spain, Greece and Turkey, and favorable exchange rates of the Euro against the Israeli Shekel. It all resulted in a very good export season. A new export program was launched in MY 2003/04 for the three easy-peelers varieties "Michal", "Merav" and "Ora", to Eastern Europe and Russia. Due to the Sweetie's "One Hand" marketing campaign to the Japanese and Italian markets and favorable exchange rates of the Japanese Yen and the Euro against the Israeli shekel, the local growers' profitability increased by 50 percent compared to the previous year. One third of the sweetie's quantity was exported to Europe and the rest was exported to Japan. A price of $330/ton was paid in the Japanese market, and a price of $200/ton was paid in other markets. MY 2003/4 saw a growing demand for the Sunrise grapefruit in Western Europe, Russia and Poland.

Trade Policy

Israel signed a new trade agreement with the E.U. regarding the export of citrus and vegetables juices. At present, there is an annual export quota for Israel of 1,500 tons of juices. In the new agreement (starting May 2004) the annual quota was doubled to 3,000 MT. The updated quota will stand at 3,000 tons per year. Exports above this quota will receive a tariff. Due to the new trade agreement, the previous bilaterally agreements with Poland, Czech Republic, Hungary, Slovakia and Slovenia will be abolished.

Table 9: Fresh Citrus Exports by Varieties, Tons, MY- Thru April 24

Variety	2001/2	2002/3	2003/4	2003/4 Percent Change Compared to 2002/3	2003/4 Percent Change Compared to 2001/2
Shamouti	23,432	17,694	21,078	19.13%	-10.05%
Valencia	9,549	4,059	3,403	-16.16%	-64.36%
Navels	702	404	438	8.42%	-37.61%
Total Oranges	**33,683**	**22,157**	**24,919**	12.47%	-26.02%
White Grapefruit	8,835	8,347	9,677	15.93%	9.53%
Red Blush	0	14	0	-100.00%	---
Sunrise	37,490	38,042	41,815	9.92%	11.54%
Ray Ruby	63	89	6	-93.26%	-90.48%
Sweetie	14,892	13,460	13,292	-1.25%	-10.74%
Total Grapefruit	**61,280**	**59,952**	**64,790**	8.07%	5.73%
Suntina	10,388	9,480	15,023	58.47%	44.62%
Minneola	8,199	5,947	6,337	6.56%	-22.71%
Mor	480	959	1,196	24.71%	149.17%
Or	982	3,612	2,999	-16.97%	205.40%
Ora	66	44	414	840.91%	527.27%
Murcott	978	238	1,530	542.86%	56.44%
Michal	0	0	340	---	---
Merav	0	0	19	---	---
Topaz	4,039	3,198	4,636	44.97%	14.78%
Temple	123	40	67	67.50%	-45.53%
Hadas	0	12	149	1141.67%	---
Winnola	3	0	34	---	1033.33%
Other Easy Peelers	260	0	0	---	-100.00%
Total Easy Peeler	**25,518**	**23,530**	**32,744**	39.16%	28.32%
Lemon	293	2,043	1,120	-45.18%	282.25%
Lime	6	148	129	-12.84%	2050.00%
White Pomelo	2,125	1,890	2,299	21.64%	8.19%
Tahiti Pomelo	44	0	16	---	-63.64%
Red Pomelo	2,005	2,582	1,842	-28.66%	-8.13%
Limquat	16	20	20	0.00%	25.00%
Kumquat	451	521	529	1.54%	17.29%
Total	**125,421**	**112,843**	**128,408**	13.79%	2.38%

Source: The Plants Production and Marketing Board, Citrus division, Israel

Table 10: Main Export Markets, MY- Thru April 24, Tons

MY	2001/02	2002/03	2003/04	2003/04 Percent Change Compared to 2002/03	2003/04 Percent Change Compared to 2001/02
Oranges to the EU	16,374	18,597	18,953	1.91%	15.75%
Sunrise to the EU	16,374	19,343	18,025	-6.81%	10.08%
Easy Peelers to the EU	8,954	12,198	12,715	4.24%	42.00%
Sweetie to Japan (Thousands of Cases)	742,504	597,682	654,362	9.48%	-11.87%

Source: The Plants Production and Marketing Board, Citrus division, Israel

Table 11: Total Exports of Citrus Products, by Type, $ Thousand

CY	Juice	Concentrate	Bases	Puree	Slices	Oils	Other	Total
2000	29,812	26,509	44,892	12,033	14,130	1,241	3,210	131,827
2001	25,304	20,349	39,019	9,187	10,324	970	2,510	107,664
2002	26,915	26,752	50,331	9,502	6,977	1,528	2,056	124,061
2003	29,695	25,413	61,019	8,138	6,085	1,014	1,922	133,286

Source: Citrus Products Marketing Board of Israel

Table 12: Citrus Products Share Out of Total Export Value, Percent

CY	Juice	Concentrate	Bases	Puree	Slices	Oils	Other	Total
2000	22.61	20.11	34.05	9.13	10.72	0.94	2.44	100.00
2001	23.50	18.90	36.24	8.53	9.59	0.90	2.33	100.00
2002	21.69	21.56	40.57	7.66	5.62	1.23	1.66	100.00
2003	22.28	19.07	45.78	6.11	4.57	0.76	1.44	100.00

Source: Citrus Products Marketing Board of Israel